Platinum International Fund

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Performance

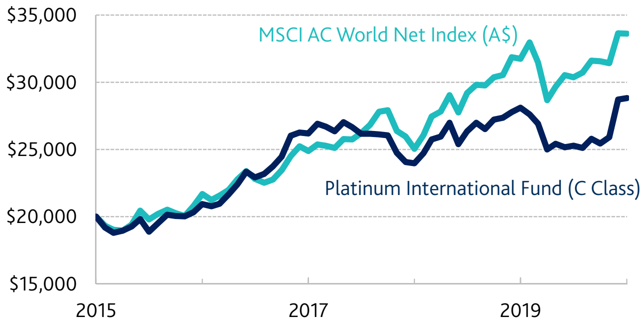
(compound p.a.⁺, to 31 December 2020)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Fund*	13%	3%	3%	8%	12%
MSCI AC World Index^	7%	6%	11%	11%	7%

⁺ Excluding quarterly returns.
* C Class – standard fee option. Inception date: 30 April 1995.
After fees and costs, before tax, and assuming reinvestment of distributions.
^ Index returns are those of the MSCI All Country World Net Index in AUD.
Source: Platinum Investment Management Limited, FactSet Research Systems.
Historical performance is not a reliable indicator of future performance.
See note 1, page 4. Numerical figures have been subject to rounding.

Value of $20,000 Invested Over Five Years

31 December 2015 to 31 December 2020



After fees and costs, before tax, and assuming reinvestment of distributions.
Historical performance is not a reliable indicator of future performance.
Source: Platinum Investment Management Limited, FactSet Research Systems. See notes 1 & 2, page 4.

The Fund (C Class) returned 13.3% for the quarter and 2.6% for the calendar year.[1]

Given the economic downturn, loss of jobs, collapse in profits and general uncertainty created by the COVID-19 pandemic, it is remarkable that the stock market[2] ended the year in strong positive territory. Having said that, the global economy has continued its recovery as we approach the post-COVID era.

During the quarter, key events included the announcement of successful COVID-19 vaccine trials and subsequent commencement of vaccination programs across the globe. While significant logistical challenges remain, given the enormity of the task, it provides a clear pathway to the end of lockdowns and restrictions over the course of 2021, ensuring an ongoing economic recovery.

The other event of note was the election of Joe Biden as the next US President, which brings a much greater level of certainty to the global business environment. While there was strong bipartisan support for the actions taken by the US against China on trade and security, we would expect a more conventional negotiated approach to these issues, that take into consideration the economic interdependence of the two nations. As such, it is likely that the election result will lead to improving business and investor confidence.

These events sparked a strong rally in the share prices of economically sensitive businesses that will likely benefit from the ongoing recovery, including many of the Fund's holdings. Our semiconductor stocks, led by memory chip producers **Samsung Electronics** (up 39% over the quarter) and **Micron Technology** (up 60%), were major contributors to performance. Spot prices for DRAM (memory) chips rose in the latter half of the quarter, as manufacturing for 5G mobile handsets ramp up for delivery in 2021. Aerospace companies **General Electric** (up 73%) and **MTU Aero Engines** (up 50%) and other travel-related stocks, such as **Amadeus** (airline booking systems, up 25%) and **Booking Holdings** (online travel agent, up 30%) rallied as the roll-out of vaccination

1 References to returns and performance contributions (excluding individual stock returns) in this Platinum International Fund report are in AUD terms, unless otherwise specified. Individual stock returns are quoted in local currency terms and sourced from FactSet Research Systems, unless otherwise specified.

2 MSCI All Country World Net Index in AUD.

programs provided greater certainty on the return of international travel. Copper producers **First Quantum Minerals** (up 93%) and **Freeport-McMoRan** (up 66%) performed strongly on the back of a move in the copper price to over US$3.50/lb for the first time since the tail end of the Chinese capital spending boom in early 2013.

Another contributor to performance was the currency positioning of the Fund, which held a low 19% average exposure to the US dollar (USD) over the quarter. The USD depreciated against not only the Australian dollar (AUD), but also the Euro (EUR), Japanese yen (JPY), Korean won (KRW) and Chinese yuan (CNY), which together represent the majority of the Fund's currency positioning.

The main detractor from performance was the short position in the Nasdaq Index. At a stock level, key detractors included **China Overseas Land & Investment** (down 13%), which was impacted by the Trump administration's restrictions on US citizens owning some Chinese firms and **Barrick Gold** (down 22%), which gyrated with movements in the gold price.

Changes to the Portfolio

The Fund's net invested position increased over the quarter from 75% to 87%, with the main factor being the reduction of our Nasdaq Index shorts in November, which took our short book from 16% to 7%.

On currencies, since 20 March 2020 we have chosen to hedge out half of our natural position in the USD, with the proceeds invested in the EUR, CNY and AUD. This has resulted in a 17% exposure to the USD in the Fund at 31 December 2020. The rationale is that the US, having been unable to control the coronavirus, is certainly winning the race in terms of aggressive stimulus and money printing. While this will create economic activity, the offset is likely to be a weaker USD. The illustration of the weak dollar thesis playing out can be seen in the AUD, appreciating 12% vs. the USD over the last six months, while it has moved very little vs. the EUR or CNY.

In terms of changes to holdings, notable purchases included:

Louisiana Pacific (LP). LP is a US manufacturer of building materials, with its two main products being oriented strand board (OSB) and 'SmartSide'. Certain areas of residential building products can be highly attractive businesses, particularly where they are marketed directly to the consumer and national distribution is hard to replicate.

LP's SmartSide product fits this bill. It has carved out a duopoly with James Hardie in the premium US siding market, where its engineered wood siding has been taking market share for a number of years, given its better durability, cost of ownership and visual aesthetics versus alternatives like vinyl. This has allowed the siding business to grow at 10% p.a. for a number of years, while making high-teen earnings before interest and tax (EBIT) margins and a circa 30% return on capital.

While the company is currently benefiting from strong activity in the US housing market, there is still an underappreciation of the siding business, as evidenced by the significant valuation multiple difference between James Hardie and LP. Over the past decade, SmartSide has grown from 20% of LP's earnings to 40%, and over the next five years, it could comprise up to 60% and beyond, which would improve the quality of the group's earnings and warrant a higher multiple.

UPM-Kymmene Oyj (UPM). UPM is a Finnish-based pulp and speciality paper/wood products company. The business is investing in a number of high-returning projects that should drive considerable earnings growth over the next five years.

Disposition of Assets

REGION	31 DEC 2020	30 SEP 2020	31 DEC 2019
Asia	30%	29%	34%
North America	28%	27%	27%
Europe	19%	18%	14%
Japan	12%	13%	13%
Australia	4%	3%	3%
Africa	2%	1%	1%
South America	0%	0%	1%
Cash	5%	9%	7%
Shorts	-7%	-16%	-9%

See note 3, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

Net Sector Exposures

SECTOR	31 DEC 2020	30 SEP 2020	31 DEC 2019
Industrials	21%	19%	13%
Information Technology	17%	17%	14%
Materials	17%	13%	10%
Financials	14%	11%	16%
Consumer Discretionary	11%	12%	5%
Health Care	6%	8%	7%
Communication Services	4%	6%	12%
Real Estate	2%	2%	3%
Energy	2%	1%	5%
Utilities	0%	0%	0%
Consumer Staples	-1%	0%	0%
Other	-6%	-13%	0%
TOTAL NET EXPOSURE	87%	75%	84%

See note 4, page 4. Numerical figures have been subject to rounding.
Source: Platinum Investment Management Limited.

For further details of the Fund's invested positions, including country and industry breakdowns and currency exposures, updated monthly, please visit https://www.platinum.com.au/our-products/pif.

These include the completion of their 2.1 million tonne pulp mill in Uruguay. In planning for over 10 years, this mill is highly cost competitive in a global sense and will represent a 50% increase to their current pulp capacity. A second source of growth is UPM's expertise in using wood-based feedstocks to make high-quality renewable fuels and bioplastics. There is a strong push within Europe towards renewable solutions, both from the government and corporates, with demand for products like bioplastics completely outpacing supply. UPM is spending €1.6 billion to expand its bio-diesel/plastics production, with customers already offering to purchase the entire offtake.

Elsewhere, the Fund acquired a new position in **Banco Santander** (please see the Platinum European Fund report for a more detailed discussion on the stock and European banks) and continued to add to our positions in **InterGlobe Aviation** (Indian low-cost airline) and **AIA** (life insurer). These purchases were funded via trimming a number of our strong-performing travel-related stocks (**Amadeus**, **Booking Holdings**, **Vail Resorts**) and internet-related stocks (**Alibaba**, **Alphabet**, **Tencent**).

Outlook

We are cautiously optimistic in the medium term about the future returns of the portfolio based on the valuations and outlook for the companies in the portfolio. While we have seen strong stock price appreciation across many holdings, this has occurred in line with the improving prospects that were part of our original investment case for making these investments. The memory chip makers Samsung and Micron, or the copper producers First Quantum and Freeport-McMoRan, are cases in point. Both groups of companies have seen lifts in their product prices and thus profits, as a result of tightness in supply, which we expect will be maintained for a number of years. That we are still in the early stages of the post-COVID recovery provides additional support for the investment case. As such, we remain comfortable that these companies are still in the early stage of their business cycles and believe they can still produce good returns from here. The other element of our optimism is that even where we may start to trim some of these good performers, we continue to find new prospective ideas to add to the portfolio. In the shorter term, our concern is for the potential unwinding of the speculative mania in growth stocks. The end of the technology bubble in 2001 showed that it is feasible for our 'real' economy companies in the portfolio to appreciate while 'virtual' counterparts collapsed. While many investors may find it hard to envisage that a sell-off in these market favourites would not impact the rest of the market, it would only represent a reversal of the trend of the last two years that has been unprecedented in financial history.

The more concerning risk for future returns is the possibility of a financial accident akin to what happened during the global financial crisis (GFC). For years after the GFC, many commentators were obsessed with the idea that the world had too much debt (though it should be noted that they never provided a framework for thinking about what was the right level of debt). Today, after an enormous increase in indebtedness across the global economy, as a result of the fiscal policy response to the pandemic, perversely there is little discussion about the levels of debt. Indeed, the increasing attention to the idea of Modern Monetary Theory (MMT)[3] lends greater credence to the suggestion that levels of debt don't matter. While we can't provide the framework to say how much debt is too much, that this debt has been accrued at a time when there is such a high level of certainty that interest rates will stay at near zero levels, is an uncomfortable backdrop for investors. We would expect if stress develops in financial markets, the most likely warning bells will come in the debt markets. At this stage, there are no signs of any such stress in debt markets and indeed, they continue to perform strongly.

The difficulty in dealing with this type of risk is that it may or may not be realised, and if there is an event, it is likely to arise relatively quickly. We will continue our approach of taking advantage of investment opportunities as they arise, but also maintaining a relatively conservatively invested position by keeping cash reserves and short positions as insurance.

3 Modern Monetary Theory is based on the premise that if a country is responsible for issuing its own currency, then there are no limitations on how much money it can print (and hence spend) and therefore, the amount of debt it incurs is inconsequential. MMT has divided economists and market practitioners alike, with opponents arguing that this approach is inflationary.

Top 10 Holdings

COMPANY	COUNTRY	INDUSTRY	WEIGHT
Samsung Electronics Co	Korea	Info Technology	5.1%
Glencore Plc	Australia	Materials	3.5%
Ping An Insurance	China	Financials	3.1%
General Electric Co	US	Industrials	3.0%
AIA Group Ltd	Hong Kong	Financials	2.9%
Micron Technology	US	Info Technology	2.8%
LG Chem Ltd	Korea	Materials	2.8%
Microchip Technology	US	Info Technology	2.6%
Minebea Co Ltd	Japan	Industrials	2.4%
Ally Financial Inc	US	Financials	2.0%

As at 31 December 2020. See note 5, page 40.
Source: Platinum Investment Management Limited.

Notes

Unless otherwise specified, all references to "Platinum" in this report are references to Platinum Investment Management Limited (ABN 25 063 565 006, AFSL 221935).

Some numerical figures in this publication have been subject to rounding adjustments. References to individual stock or index performance are in local currency terms, unless otherwise specified.

1. Fund returns are calculated by Platinum using the net asset value unit price (i.e. excluding the buy/sell spread) of the stated unit class and represent the combined income and capital returns over the specified period. Fund returns are net of fees and costs, pre-tax, and assume the reinvestment of distributions. The MSCI index returns are in AUD, are inclusive of net official dividends, but do not reflect fees or expenses. [The gross MSCI index was used prior to 31/12/98]. MSCI index returns are sourced from FactSet Research Systems. Platinum does not invest by reference to the weightings of the specified MSCI index. As a result, the Fund's holdings may vary considerably to the make-up of the specified MSCI index. MSCI index returns are provided as a reference only. The investment returns shown are historical and no warranty is given for future performance. Historical performance is not a reliable indicator of future performance. Due to the volatility in the Fund's underlying assets and other risk factors associated with investing, investment returns can be negative, particularly in the short term.
2. The investment returns depicted in the graph are cumulative on A$20,000 invested in C Class (standard fee option) of the Fund over the specified period relative to the specified MSCI index in AUD.
3. The geographic disposition of assets (i.e. other than "cash" and "shorts") shows the Fund's exposures to the relevant countries/regions through its long securities positions and long securities/index derivative positions, as a percentage of its portfolio market value. With effect from 31 May 2020, country classifications for securities were updated to reflect Bloomberg's "country of risk" designations and the changes were backdated to prior periods. "Shorts" show the Fund's exposure to its short securities positions and short securities/index derivative positions, as a percentage of its portfolio market value. "Cash" in this table includes cash at bank, cash payables and receivables and cash exposures through derivative transactions.
4. The table shows the Fund's net exposures to the relevant sectors through its long and short securities positions and long and short securities/index derivative positions, as a percentage of its portfolio market value. Index positions (whether through ETFs or derivatives) are only included under the relevant sector if they are sector specific, otherwise they are included under "Other".
5. The table shows the Fund's top ten positions as a percentage of its portfolio market value taking into account its long securities positions and long securities derivative positions.

Disclaimers

MSCI Disclaimer